LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 567** HLS 25RS 895
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ #2 SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 6, 2025 11:37 AM
Author: BACALA
Dept./Agy.: Department of Revenue
Subject: S-Corps
Analyst: Deborah Vivien

TAX/CORP INCOME RE2 DECREASE SD EX See Note

Provides with respect to various credits, deductions, exclusions, and exemptions associated with corporate income tax

Current law subjects S-Corps to corporate income tax but excludes income passed through to the shareholder, which becomes taxable at personal income tax of 3%, apportioned by the percentage of capital stock owned by Louisiana taxpayers. If any income remains or is elected taxable at the entity level, it is subject to the corporate income tax rate of 5.5%. Current law allows a Qualified Subchapter S Subsidiary (QSub, an S-Corp owned by an S-Corp) to file as a separate entity or be included in the S-Corp return. Current law allows an S-Corp to elect to pay income tax at the entity level as a federal SALT limitation workaround. Current law exempts withholding and tax liabilities for 25 days annually for mobile workforce. Proposed law recognizes S-Corps as pass-through entities in the same manner as the federal government, with all income passed through to the shareholder. Proposed law repeals the unnecessary S-Corp exclusion and retains current law in regard to S-Corp election of entity level state taxation for federal tax purposes. Proposed law allows S-Corps to file an informational form or, with non-resident filers, a composite form or, for electing taxation at the entity level, the corporate return. Proposed law repeals the option for a QSub to file as a separate entity leaving only filing within the S-Corp return (same as federal). Proposed law adds 5 days to mobile workforce exemption and expands certain eligiblity requirements. Effective with tax year 2026

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**SEE BELOW**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

The bill allows S-Corps to file in a manner similar to partnerships, which apparently could be utilized in some manner to model this change in S-Corp treatment. LDR will incur estimated expenses of $77,450 in adjusting the system and educating taxpayers, which will occur simultaneously with standard annual adjustments. However, LDR will determine within the budget process whether the implementation of cumulative session actions may warrant additional resources.

REVENUE EXPLANATION

Proposed law does not change the tax liabilities of S-Corps but changes the manner of filing as the state will now recognize an S-Corp automatically as a pass-through entity. However, the bill lowers the rate that certain liabilities may be subject to. For instance, if an S-Corp elects to pay at the entity level or a shareholder does not file a state return making the entity liable for the tax, the bill will change the applicable tax rate from the corporate rate of 5.5% to the individual rate of 3%. This is **a 45% decrease in the rate which, when applied to the roughly $5.4 M in taxes paid at the entity level as reported by LDR, would reduce either the Revenue Stabilization Trust Fund or the SGF by about $2.4 M, depending on the aggregate level of corporate income tax collections (currently forecast to be above $600 M). Impacts may begin during FY 26 if estimated payments or withholdings change in the first half of the 2026 tax year.** Actual impacts would depend on filing patterns and entity taxing structure.

Current law requires the filing of corporate form and an exclusion for income passed to shareholders to prevent the income from being taxed twice. The filing of a return for an S-Corp will now automatically follow federal treatment unless the S-Corp elects to be taxed at the entity level, whether for federal tax purposes or for non-resident shareholders. Because this change appears to align the state with federal filing practices, LFO sees no reason for a delay in collections.

The bill adds 5 days to the mobile workforce exemption, which exempts withholding requirements and tax liabilities for an employee who works in the state for 25 days or less during the tax year. The bill also repeals the federal requirement that income be exempt by the or that income is from a state with reciprocity or no income tax. **Adding 5 days of personal income tax exempted by the bill thereby increasing the mobile workforce exemption threshold to 30 days and eliminating an income exemption eligibility requirement will decrease SGF by an indeterminate amount beginning with TY 2026 filings in FY 27.**

The SGF impact may originate as the LDR retention of 1% of income and sales tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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